

**CITY OF EARLVILLE**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
JULY 1, 2013 THROUGH JUNE 30, 2014**

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# CITY OF EARLVILLE

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2014)		
Dan Wheeler	Mayor	Jan. 2014
Mark Salow	Mayor Pro tem	Jan. 2014
Shannon Richardson	Council Member	Jan. 2014
Daryld Lawin	Council Member	Jan. 2014
Ed Gibbs	Council Member	Jan. 2016
Bob Peters	Council Member	Jan. 2016
Linda Gaul	City Clerk/Treasurer	Indefinite
Luke Guthrie	Attorney	Indefinite
(After December, 2013)		
Dan Wheeler	Mayor	Jan. 2016
Bob Peters	Mayor Pro tem	Jan. 2016
Ed Gibbs	Council Member	Jan. 2016
Shannon Richardson	Council Member	Jan. 2018
Chris Rude	Council Member	Jan. 2018
Dale Smock	Council Member	Jan. 2018
Linda Gaul	City Clerk/Treasurer	Indefinite
Luke Guthrie	Attorney	Indefinite

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## **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Honorable Mayor  
And Members of the City Council:

We have performed an agreed-upon procedures engagement of the City of Earlville pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Earlville for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization, and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification, and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.



We were not engaged to and did not conduct an audit of the City of Earlville, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Earlville additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees, citizens and customers of the City of Earlville and other parties to whom the Earlville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Earlville during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

August 13, 2014



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

## DETAILED RECOMMENDATIONS

CITY OF EARLVILLE  
DETAILED RECOMMENDATIONS  
For the Period July 1, 2013 through June 30, 2014

[A] Segregation of Duties -One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each the following areas of the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - record keeping, preparing and distributing
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing current available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

[B] Revenue Notes and Lease Purchase Agreement - The Enterprise, Water Fund had a net reporting deficit, which may violate the revenue note resolution. The Enterprise, Electric Fund has a net operating deficit, which may violate the resolution approving the lease purchase agreement.

Recommendation - The City should consider raising water and electric rates enough to bring both funds into compliance with their debt resolutions.



CITY OF EARLVILLE  
DETAILED RECOMMENDATIONS  
For the Period July 1, 2013 Through June 30, 2104

- [C] City Council Meeting Minutes - The minutes record of the meeting reviewed were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation - The minutes should be signed to authenticate the actions taken as required.

- [D] Form 1099 Compliance - The City did not issue 1099s to all required vendors.

Recommendation - Vendor list should be reviewed in January before preparing 1099s.